

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, July 23, 1937, at 10:30 a. m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Broderick
Mr. McKee
Mr. Davis

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the
Chairman
Mr. Wyatt, General Counsel
Mr. Goldenweiser, Director of the Division
of Research and Statistics
Mr. Thomas, Assistant Director of the
Division of Research and Statistics
Mr. Currie, Assistant Director of the
Division of Research and Statistics

There was presented a revised draft of a statement, prepared by Messrs. Goldenweiser, Thurston and Currie pursuant to a request of the Board, with respect to major questions involved in bills before Congress having price stabilization as their objective. The original request of the Board on July 13 that such a statement be prepared was with the view that it might be used in replying to the letter received from Senator Smith under date of July 21, 1937, requesting a report on S. 1990 (Thomas bill) and to other similar requests.

At the conclusion of a discussion of the draft, it was understood that Mr. Davis, with Messrs. Goldenweiser and Thurston, would prepare a further revision of the statement for discussion by the Board at its next meeting.

Thereupon Messrs. Goldenweiser, Thomas and Currie withdrew from the meeting and Mr. Dreibelbis, Assistant General Counsel, entered

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the room.

Reference was made to a memorandum dated July 7, 1937, from Mr. Wyatt, General Counsel, submitting the report prepared by Mr. Dreibelbis, Assistant General Counsel, on the survey made by him of the legal division of the Federal Reserve Bank of Kansas City. The report called attention to the fact that Mr. H. G. Leedy, who is retained as counsel for the Federal reserve bank is also retained by the Commerce Trust Company of Kansas City.

Mr. Ransom suggested that the Board take the position that each Federal reserve bank should have on its staff a full time counsel who would give his entire time to the bank and not represent other interests.

Mr. Broderick referred to the action of the Board on January 19, 1937, requesting him, in consultation with Messrs. Dreibelbis and Morrill, to see that a survey was made of the legal divisions of the respective Federal reserve banks with a view to obtaining greater uniformity in the arrangements with counsel at Federal reserve banks and the basis on which they are compensated. He stated that these surveys had been made as to six Federal reserve banks and that it appeared that the remaining six could be covered in a comparatively short time. He added that, while he was of the opinion that the Federal reserve banks should not employ or retain as regular counsel attorneys who are also retained by any other bank or by a bank holding company, investment trust or brokerage concern, he felt that it would be preferable for the Board to defer taking the matter up with the individual Federal reserve banks until the reports on the surveys which are to be made at

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the six remaining Federal reserve banks have been submitted by Mr. Dreibelbis and his (Mr. Broderick's) report on the basis of these surveys could be considered by the Board.

Mr. Ransom expressed the opinion that it was desirable to reach a decision on the matter as soon as possible and that if the Board agreed that the existence of dual relationships such as that at Kansas City should be discontinued, the Federal Reserve Banks should be advised promptly of the Board's position in order that counsel who might be affected would have reasonable time in which to make changes in their arrangements before the end of the year. He also stated that should the matter be considered by the Board during his absence he wished to be recorded as being of the opinion that regular counsel for a Federal reserve bank should under no circumstances be counsel for another bank or for a brokerage concern or any other organization over which the Board of Governors exercises any jurisdiction or has any regulatory authority.

At the conclusion of the discussion it was agreed to take no action on the matter pending submission to the Board of the reports of the surveys of the legal divisions of the six Federal reserve banks which have not yet been made and the consideration of Mr. Broderick's recommendations based thereon.

At this point Messrs. Thurston, Wyatt and Dreibelbis left the meeting and consideration was then given to each of the matters herein after referred to and the action stated with respect thereto was taken by the Board:

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The minutes of the meeting of the Board of Governors of the Federal Reserve System held on July 22, 1937, were approved unanimously.

Telegrams to Mr. Kimball, Secretary of the Federal Reserve Bank of New York, Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, Mr. Taylor, Cashier of the Federal Reserve Bank of Cleveland, and Mr. Young, Secretary of the Federal Reserve Bank of Chicago, stating that the Board approves the establishment without change by the New York bank on July 22, 1937, and by the Philadelphia, Cleveland and Chicago banks today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated July 20, 1937, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the appointment on a temporary basis for a period of three months of Mr. Jack Brandt, Jr., as a draftsman in the Division, with salary at the rate of \$200 per month, effective as of the date upon which he enters upon the performance of his duties.

Approved unanimously.

Memorandum dated July 21, 1937, from Mr. Smead, Chief of the Division of Bank Operations, recommending the appointment on a temporary basis for a period of three months of Mrs. Lorraine M. Rhinehart as a comptometer operator in the Division, with salary at the rate of \$120 per month, effective as of the date upon which she enters upon the performance of her duties.

Approved unanimously.

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Memorandum dated July 20, 1937, from Mr. Morrill recommending, with the approval of the Personnel Committee, the appointment of Robert C. Witherspoon, Joseph P. Harris, Jr., and George R. Kay as elevator operators in the Board's new building, with salary at the rate of \$1,200 per annum, effective as soon as their services may be required, after having passed satisfactorily the usual physical examination. The memorandum also recommended that the Board furnish uniforms for the elevator operators which, it was estimated, would cost approximately \$22.00 each.

Approved unanimously.

Telegram to the George A. Fuller Company, New York, New York, reading as follows:

"Attempted to phone your office today after inability to locate your local Vice President Distler. Have been informed that there is no intention on your part to work painters Saturday or Sunday. Our Board believes this is a breach of faith on the part of your office and Distler in view of promises made by President Crandall to Chairman Eccles. Board expects word from you in the morning that you have arranged for painters both Saturday and Sunday."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

Frank J. Moran
Vice Chairman.